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BACKGROUNDER 1-0321
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MARCH 8, 1976

OIL AND THE MALAYSIAN SUCCESS STORY

ANNCR:

FOR DECADES, MALAYSIA HAS BEEN CONSIDERED THE WORLD'S MAJOR SOURCE OF TIN AND NATURAL RUBBER. IT STILL IS. BUT NOW, OIL HAS ENTERED THE PICTURE. FROM KUALA LUMPUR, WAYNE COREY HAS THIS REPORT ON MALAYSIA'S GROWING OIL WEALTH.

VOICE:

OIL COMPANIES BEGAN TO GET SERIOUSLY INTERESTED IN MALAYSIA IN THE SECOND HALF OF NINETEEN SEVENTY-THREE BECAUSE OF THE OIL CRISIS, ALTHOUGH THE SHELL COMPANY HAS BEEN EXPLORING FOR QUITE SOME TIME. NOW SHELL, MOBIL, EXXON AND CONTINENTAL OIL COMPANIES ARE TAKING ABOUT ONE HUNDRED TEN THOUSAND BARRELS OF OIL A DAY FROM THE WATERS OFF THE STATES OF SABAH AND SARAWAK, AND OFF THE EAST COAST OF PENINSULA MALAYSIA. ONE HUNDRED TEN THOUSAND BARRELS A DAY ISN'T MUCH COMPARED, FOR EXAMPLE, WITH INDONESIA WHICH EXTRACTS ABOUT TEN TIMES THAT AMOUNT. YET, WITH THE NEW EXPLORING GOING ON NOW, IT'S SAID MALAYSIA'S EVENTUAL OUTPUT COULD REACH A HALF MILLION BARRELS A DAY. MALAYSIA IS ALREADY SELF-SUFFICIENT IN OIL, AND THE OIL IS LOW IN SULFUR CONTENT. SO MALAYSIA EXPORTS THE OIL -- PRINCIPALLY TO JAPAN -- AND THEN TO FILL ITS DOMESTIC NEEDS, BUYS THE HIGHER SULFUR CONTENT OIL FROM THE MIDDLE EAST.

TWO YEARS AGO, THE MALAYSIAN GOVERNMENT DECIDED IT WAS TIME TO CREATE A NATIONAL PETROLEUM COMPANY -- PETRONAS. AFTER SOME UNCERTAINTY ABOUT WHETHER THIS MIGHT MEAN NATIONALIZATION OF THE FOREIGN OIL COMPANIES, TALKS BEGAN A FEW MONTHS AGO

ON PRODUCTION-SHARING CONTRACTS. AN INTERIM AGREEMENT WITH SHELL AND EXXON PERMITTED THEM TO KEEP ABOUT SEVEN PER CENT OF OIL PROFITS, AND IT LED TO A RENEWED SEARCH FOR MALAYSIA'S BLACK GOLD.

TIN, RUBBER AND EVEN PALM OIL ARE STILL CONSIDERED MORE IMPORTANT THAN OIL TO THE NATION'S ECONOMY. THE ONLY DISADVANTAGE IS THAT THESE EXPORTS ARE VULNERABLE TO RECESSION IN THE HIGHLY INDUSTRIALIZED NATIONS. BUT BUSINESS AROUND THE WORLD APPEARS TO BE PICKING UP, AND MALAYSIA HAS MANAGED TO WEATHER THE RECESSIONARY STORM WITHOUT SERIOUS TROUBLE. SO, MALAYSIA, WITH ITS CALM AND BUSINESS-LIKE WAY OF HANDLING ITS NEW OIL WEALTH AND ITS OTHER RESOURCES, CONTINUES TO SHOW JUST WHY IT IS ONE OF ASIA'S GREAT ECONOMIC SUCCESS STORIES

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